

## Message Text

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17

ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 AF-08

ARA-06 EUR-12 NEA-10 FEA-01 OIC-02 /139 W

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R 231805Z APR 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1426

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE MTN GENEVA 3130

H PASS CODEL

EO 11652: N/A

TAGS: ETRD, MTN

SUBJ: TP CONSULTATIONS: HONG KONG

SUMMARY: IN BILATERAL TROPICAL PRODUCTS (TP) CONSULTATION WITH UK DEL REPRESENTING HONG KONG AFFAIRS, US MTN DEL ELABORATED ON ITS MARCH 1 OFFER TO NEGOTIATE MFN TARIFF CONCESSIONS IN TP GROUP, AND PRESENTED HK DEL WITH LIST OF CONTRIBUTIONS US IS SEEKING FROM HONG KONG TO TP NEGOTIATIONS. HK DEL UNINSTRUCTED, BUT NOTED HIS AUTHORITIES HAD CONSIDERED QUESTION OF ITS CONTRIBUTIONS ACADEMIC. SPECIFIC US REQUESTS WOULD BE BASIS FOR FORMULATING A POSITION ON THIS ISSUE, BUT IN HIS PERSONAL VIEW IT WAS NOT LIKELY THAT BRANDY CLASSIFICATION COULD BE CHANGED OR REQUESTED DUTIES LOWREED AS THEY WERE REVENUE DUTIES. HE EXPECTED HOWEVER TO BE PREPARED

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TO ENTER CONSULTATION ON HK LICENSING AND OWNER-

SHIP REQUIREMENTS ON SPORTING FIREARMS WITHIN A MONTH.  
END SUMMARY

1. ELABORATION OF US TP OFFER: US MTN DEL (GRAEF) HELD BILATERAL TP CONSULTATION WITH UK DEL REPRESENTING HK AFFAIRS (PEARSON), APRIL 21 IN CONTEXT OF CURRENT ROUND OF BILATERAL TP CONSULTATIONS TO ELABORATE ON US TP OFFER AND TO PRESENT US REQUEST FOR SPECIFIC LDC CONTRIBUTIONS TO TP NEGOTIATIONS. MTN DEL NOTED THAT FOUR OF SIX ITEMS ON HONG KONG REQUEST LIST APPEARED ON US TP OFFER WITH A 1974 TRADE OF BETWEEN \$8.8 AND \$9.6 MILLION DEPENDING ON HK'S EXPORT OF EX-OUT ITEMS. BOTH DELS AGREED TO AGREE ON TRADE VALUE OF US OFFER TO HONG KONG. US INDICATED ITS INTENTION TO BIND CONCESSIONS IT WOULD MAKE NOTING HOWEVER THAT BINDING RELATED TO IMPLEMENTATION A SUBJECT ON WHICH THE US HAD NO POSITION, IT BEING PREMATURE, AT THE START OF A NEGOTIATION. MTN DEL INDICATED ONE PRODUCT OF TRADE INTEREST TO HK ON WHICH, BECAUSE OF DOMESTIC SENSITIVITIES, MEANINGFUL CONTRIBUTIONS NECESSARY FROM LDCS TO BIND DUTY REDUCTION TO ZERO (TSUS 165.55).

2. HK INITIAL RESPONSE TO US TP OFFER: HK DEL EXPRESSED GRATIFICATION THAT GINGER PRODUCTS ON US OFFER BUT PRESSED FOR REASONS 727.10 AND 706.12 NOT INCLUDED. MTN DEL EXPLAINED KENNEDY ROUND HISTORY 727.10 AND NOTED THAT US DOMESTICALLY PRODUCED RATTAN FURNITURE, AND FURTHER OBSERVED THAT EXCLUSION FROM TP OFFER DID NOT IMPLY EXCLUSION FROM MTN, AND THAT QUESTION OF COMPETITION OF BOTH ITEMS OF RATTAN WITH US DOMESTIC PRODUCTION FURNITURE AND HANDBAGS OF OTHER RAW MATERIALS HAD TO BE CONSIDERED.

3 US REQUEST FOR HK CONTRIBUTIONS TO TP: US DEL PRESENTED HK DEL WITH CONFIDENTIAL NEGOTIATING LIST PREPARED BY WASHINGTON AGENCIES SEEKING TARIFF AND NON-TARIFF CONCESSIONS FROM HK ON MFN BASIS, LIMITED OFFICIAL USE

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NOTING WIDE DISPARITY OF TRADE VALUE RELATED TO CONCESSIONS SOUGHT AND CONCESSIONS OFFERED.

4. INITIAL HK REACTION: PEARSON OFFERED PERSONAL REACTIONS IN ABSENCE OF INSTRUCTIONS. WITH RESPECT TO DUTY REDUCTIONS ON BRANDY, RUM, AND OTHER DISTILLED ALCOHOL HE OBSERVED THAT THESE WERE REVENUE DUTIES AND THUS REDUCTIONS UNLIKELY. SUBSEQUENT

TO MEETING HE INFORMED MTN DEL THAT THESE DUTIES HAD BEEN RAISED 3 DEC 1975 (BRANDY TO HK \$123, RUM AND OTHERS TO 95.50) AS PART OF '76-77 BUDGET EXERCISE. IN RESPONSE TO MTN DEL QUESTION HE INDICATED THAT NO EXCISE TAX APPLIED TO DOMESTIC PRODUCERS IN THAT THESE ITEMS NOT DOMESTICALLY PRODUCED. HE OBSERVED THAT BRAND Y CLASSIFICATION AN OLD PROBLEM THAT HAD BEEN EXAMINED BEFORE AND THUS HE LESS THAN SANGUINE ABOUT CHANGE. IN RESPONSE TO PROBING HE COULD NOT ELABORATE DIFFICULTIES INVOLVED, NOTED THAT BRANDY DUTY REDUCTION OF PRINCIPAL BENEFIT TO FRANCE WITH WHOM THEY HAVING DIFFICULTY ON REMOVAL "ILLEGAL" QRS APPLIED TO HK PRODUCTS, THUS NOTION OF REMOVING COMPETITIVE ADVANTAGE FOR FRANCE THROUGH BRANDY CLASSIFICATION HAD SOME LOGIC. WITH RESPECT TO SPORTING FIREAMRS PEARSON ASKED FOR GREATER DETAILS. MTN DEL DREW ON ORIGINAL WASHINGTON REQUEST DISCRETLY, SAID THAT DETAILS COULD AWAIT CONSULTATIONS. PEARSON AGREED THAT CONSULTATIONS COULD LIKELY BE INITIATED WITHIN A MONTH.

5. GIVEN PEARSON'S PERSONAL NEGATIVE REACTION TO US REQUEST HE ASKED HOW WE WOULD PROCEED IF HONG KONG'S ANSWER WAS TO REFUSE ALL REQUESTS MTN DEL OBSERVED THAT IT WAS PREMATURE TO RESPOND TO THIS QUESTION, THAT RESPONSE DEPENDED ON WHETHER CONTRIBUTIONS WERE REFUSED BASED ON PRINCIPLE OR THE SPECIFICS OF THE REQUEST BUT NOTED THAT ON TWO ITEMS TSUS 222.42 AND 222.60 HONG KONG WAS PRINCIPAL SUPPLIER AND THAT IT WOULD BE USEFUL IN THIS CONTEXT TO KNOW OF ITS REACTIONS. WALKER

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